

HAVANA BUSINESS IMPROVEMENT DISTRICT

Financial Statements

Year Ended December 31, 2015

with

Independent Auditors' Report

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Board of Directors
Havana Business Improvement District
City of Aurora, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Havana Business Improvement District, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Havana Business Improvement District as of December 31, 2015, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Havana Business Improvement District's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Simmons & Wheeler P.C.

Englewood, CO
February 20, 2016

HAVANA BUSINESS IMPROVEMENT DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2015

	<u>General</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS				
Cash	\$ 147,330	\$ 147,330	\$ -	\$ 147,330
Receivable - County Treasurer	1,598	1,598	-	1,598
Property taxes receivable	352,573	352,573	-	352,573
Prepaid expenses	4,486	4,486	-	4,486
Capital assets, net of accumulated depreciation	<u>-</u>	<u>-</u>	46,619	46,619
Total Assets	<u>\$ 505,987</u>	<u>\$ 505,987</u>	46,619	552,606
LIABILITIES				
Accounts payable	\$ 31,016	\$ 31,016	-	31,016
Accrued salaries	2,874	2,874	-	2,874
Payroll liabilities	<u>1,979</u>	<u>1,979</u>	-	1,979
Total Liabilities	<u>35,869</u>	<u>35,869</u>	-	35,869
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	<u>352,573</u>	<u>352,573</u>	-	352,573
Total Deferred Inflows of Resources	<u>352,573</u>	<u>352,573</u>	-	352,573
FUND BALANCES/NET POSITION				
Fund Balances:				
Nonspendable:				
Prepays	4,486	4,486	(4,486)	-
Restricted:				
Emergencies	12,452	12,452	(12,452)	-
Assigned	11,691	11,691	(11,691)	-
Unassigned	<u>88,916</u>	<u>88,916</u>	(88,916)	-
Total Fund Balances	<u>117,545</u>	<u>117,545</u>	(117,545)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 505,987</u>	<u>\$ 505,987</u>		
Net Position:				
Net investment in capital assets			46,619	46,619
Restricted for:				
Emergencies			12,452	12,452
Unrestricted			<u>105,093</u>	<u>105,093</u>
Total Net Position			<u>\$ 164,164</u>	<u>\$ 164,164</u>

The notes to the financial statements are an integral part of these statements.

HAVANA BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2015

	<u>General</u>	<u>Total</u>	<u>Adjustments</u>	Statement of <u>Activities</u>
EXPENDITURES				
Accounting and audit	\$ 7,820	\$ 7,820	\$ -	\$ 7,820
Business attraction and support	719	719	-	719
Consumer marketing	131,668	131,668	-	131,668
District branding campaign	31,435	31,435	-	31,435
Executive director mileage	3,061	3,061	-	3,061
Event entertainment	12,100	12,100	-	12,100
Event/Cash prizes	11,961	11,961	-	11,961
Insurance	5,646	5,646	-	5,646
Legal	3,559	3,559	-	3,559
Miscellaneous expenses	13,582	13,582	-	13,582
Miscellaneous event expenses	13,465	13,465	-	13,465
Office supplies	1,065	1,065	-	1,065
Payroll taxes	5,276	5,276	-	5,276
Printing and graphics	2,500	2,500	-	2,500
Promotion	23,353	23,353	-	23,353
Ratepayer communications	1,278	1,278	-	1,278
Salaries	68,978	68,978	-	68,978
Streetscaping	35,042	35,042	-	35,042
Trash removal	3,384	3,384	-	3,384
Treasurer's fees	4,593	4,593	-	4,593
Depreciation	-	-	19,739	19,739
Total Expenditures	<u>380,485</u>	<u>380,485</u>	<u>19,739</u>	<u>400,224</u>
GENERAL REVENUES				
Property taxes	306,356	306,356	-	306,356
URA property tax increment	52,370	52,370	-	52,370
Specific ownership taxes	27,412	27,412	-	27,412
Event income	<u>13,141</u>	<u>13,141</u>	<u>-</u>	<u>13,141</u>
Total General Revenues	<u>399,279</u>	<u>399,279</u>	<u>-</u>	<u>399,279</u>
NET CHANGES IN FUND BALANCES	18,794	18,794	(18,794)	
CHANGE IN NET POSITION			(945)	(945)
FUND BALANCES/NET POSITION:				
BEGINNING OF YEAR	<u>98,751</u>	<u>98,751</u>	<u>66,358</u>	<u>165,109</u>
END OF YEAR	<u>\$ 117,545</u>	<u>\$ 117,545</u>	<u>\$ 46,619</u>	<u>\$ 164,164</u>

The notes to the financial statements are an integral part of these statements.

HAVANA BUSINESS IMPROVEMENT DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2015

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 310,755	\$ 306,356	\$ (4,399)
URA property tax increment	52,570	52,370	(200)
Specific ownership taxes	23,000	27,412	4,412
Interest income	50	-	(50)
Event income	<u>10,000</u>	<u>13,141</u>	<u>3,141</u>
Total Revenues	<u>396,375</u>	<u>399,279</u>	<u>2,904</u>
EXPENDITURES			
Accounting and audit	8,500	7,820	680
Business attraction and support	-	719	(719)
Consumer marketing	165,000	131,668	33,332
District branding campaign	35,300	31,435	3,865
Executive director mileage	3,500	3,061	439
Event entertainment	-	12,100	(12,100)
Event/Cash prizes	-	11,961	(11,961)
Insurance	5,000	5,646	(646)
Legal	2,000	3,559	(1,559)
Miscellaneous expenses	15,084	13,582	1,502
Miscellaneous event expenses	-	13,465	(13,465)
Office supplies	-	1,065	(1,065)
Payroll taxes	6,243	5,276	967
Printing and graphics	-	2,500	(2,500)
Promotion	-	23,353	(23,353)
Ratepayer communications	-	1,278	(1,278)
Salaries	68,979	68,978	1
Special events	100,000	-	100,000
Streetscaping	44,500	35,042	9,458
Trash removal	-	3,384	(3,384)
Treasurer's fees	5,450	4,593	857
Reserve	201	-	201
Emergency reserve	<u>10,900</u>	<u>-</u>	<u>10,900</u>
Total Expenditures	<u>470,657</u>	<u>380,485</u>	<u>90,172</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(74,282)	18,794	93,076
FUND BALANCE:			
BEGINNING OF YEAR	<u>103,262</u>	<u>98,751</u>	<u>(4,511)</u>
END OF YEAR	<u>\$ 28,980</u>	<u>\$ 117,545</u>	<u>\$ 88,565</u>

The notes to the financial statements are an integral part of these statements.

HAVANA BUSINESS IMPROVEMENT DISTRICT

Notes to Financial Statements December 31, 2015

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Havana Business Improvement District, located in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District is a quasi-municipal corporation and a political subdivision of the State of Colorado organized by the City of Aurora (“City”) pursuant to Ordinance No. 2007-36 (“Organizing Ordinance”). The Organizing Ordinance was effective on July 21, 2007 and the District is governed pursuant to provisions of the Colorado Business Improvement District Act Sections 31-25-1201 et seq., C.R.S. The District comprises the commercially assessed properties along the Havana Corridor in Aurora that encompasses both sides of Havana Street from East Sixth Avenue to the North and East Dartmouth Avenue to the South, or more specifically set forth in the Organizing Ordinance. The District was established for the purpose of providing enhancements and otherwise unavailable public services and improvements within its boundaries. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it. The District is a component unit of the City of Aurora.

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

HAVANA BUSINESS IMPROVEMENT DISTRICT

Notes to Financial Statements December 31, 2015

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

HAVANA BUSINESS IMPROVEMENT DISTRICT

Notes to Financial Statements December 31, 2015

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2015, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government does not have any items that qualify for reporting in this category.

HAVANA BUSINESS IMPROVEMENT DISTRICT

Notes to Financial Statements December 31, 2015

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one item that qualifies for reporting in this category, deferred property taxes, which arises only under a modified accrual basis of accounting. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital Assets

Capital assets, which include signs, newspaper racks, and office equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. \$19,739 of depreciation expense was recognized during 2015.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Signs	7 years
Newspaper racks	7 years
Furniture equipment	5 years

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

HAVANA BUSINESS IMPROVEMENT DISTRICT

Notes to Financial Statements December 31, 2015

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$4,486 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$12,452 of the General Fund balance has been restricted in compliance with this requirement.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

The assigned fund balance in the General Fund represents the amount appropriated for use in the budget for the year ending December 31, 2016.

HAVANA BUSINESS IMPROVEMENT DISTRICT

Notes to Financial Statements December 31, 2015

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash

As of December 31, 2015, cash is classified in the accompanying financial statements as follows:

Statement of net position:

Cash	\$ <u>147,330</u>
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Cash as of December 31, 2015 consist of the following:

Deposits with financial institutions	\$ <u>147,330</u>
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HAVANA BUSINESS IMPROVEMENT DISTRICT

Notes to Financial Statements December 31, 2015

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District does not have a formal policy for deposits. None of the District's deposits were exposed to custodial credit risk.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2015 follows:

<u>Governmental Type Activities:</u>	<u>Balance 1/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2015</u>
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 7,088	\$ -	\$ 7,088	\$ -
Total capital assets not being depreciated	7,088	-	7,088	-
<u>Capital assets being depreciated:</u>				
District signs	75,422	7,088	-	82,510
Newspaper racks	46,702	-	-	46,702
Office equipment	6,395	-	-	6,395
Total capital assets being depreciated	128,519	7,088	-	135,607
<u>Accumulated Depreciation:</u>				
District signs	(39,694)	(11,788)	-	(51,482)
Newspaper racks	(25,398)	(6,672)	-	(32,070)
Office equipment	(4,157)	(1,279)	-	(5,436)
Total accumulated depreciation	(69,249)	(19,739)	-	(88,988)
Net capital assets being depreciated	59,270	(12,651)	-	46,619
Government type assets, net	<u>\$ 66,358</u>	<u>\$ (12,651)</u>	<u>\$ 7,088</u>	<u>\$ 46,619</u>

HAVANA BUSINESS IMPROVEMENT DISTRICT

Notes to Financial Statements December 31, 2015

Note 4: Related Party

All of the Board of Directors have financial interests in entities that own property within the boundaries of the District, are active in developing property within the boundaries of the District or are employed by such entities and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 5: Agreements

Cooperation Agreement

On August 23, 2010, the Aurora Urban Renewal Authority (“Authority”) and the District entered into a Cooperation Agreement. Under the agreement, the Authority will allocate to the District 100% of the district property tax increment. The district property tax increment will be paid on January 31st, commencing January 31, 2011. The Agreement will terminate on January 31, 2035, unless terminated earlier by the authority. \$52,370 was received under this agreement in 2015.

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (“TABOR”), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

HAVANA BUSINESS IMPROVEMENT DISTRICT

Notes to Financial Statements December 31, 2015

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Balance Sheet/Statement of Net Position – Governmental Funds includes an adjustments column. The adjustments have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds.

The Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities – Governmental Funds includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are depreciated over the estimated useful lives of the fixed assets.

SUPPLEMENTAL INFORMATION

HAVANA BUSINESS IMPROVEMENT DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2015

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied General Fund	Total Property Tax		Percent Collected to Levied
			Levied	Collected	
2008	\$ 73,312,020	4.500	\$ 329,904	\$ 328,035	99.43%
2009	\$ 72,233,870	4.500	\$ 325,050	\$ 295,888	91.03%
2010	\$ 81,229,510	4.500	\$ 365,533	\$ 349,515	95.62%
2011	\$ 76,914,660	4.500	\$ 346,116	\$ 325,377	94.01%
2012	\$ 68,997,394	4.500	\$ 310,488	\$ 301,520	97.11%
2013	\$ 68,175,584	4.500	\$ 306,790	\$ 304,349	99.20%
2014	\$ 67,719,341	4.500	\$ 304,737	\$ 313,321	102.82%
2015	\$ 69,056,580	4.500	\$ 310,755	\$ 306,356	98.58%
Estimated for year ending December 31, 2016	\$ 78,349,479	4.500	\$ 352,573		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.